News Release

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U.S. Department of Justice

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Gregory A. White, United States Attorney for the Northern District of Ohio, announced today that Steven E. Thorn was sentenced to 97 months incarceration and ordered to pay $7.4 million in restitution for his role in orchestrating a securities fraud scheme. Thorn was charged in an indictment together with Derrick N. Mckinney, Craig A. Morgan, John W. Kinney, III, Rick R. Malizia, and Kimberly Hockenhull-Edwards. The defendants were charged with conspiracy, securities fraud, wire fraud, money laundering, conspiracy to commit bank fraud, conspiracy to commit money laundering, conspiracy to defraud the United States, and income tax evasion.

Thorn, age 39, resides at 95 West Gate Drive, Elm #3, Behthlehem, West Virginia.

Thorn, McKinney, and Morgan conspired to promote and sell fraudulent investment “trading programs” (also known as high-yield investment fraud or prime bank fraud). From on or about December 1997 through on or about April 2001, Thorn, directly and through others, raised approximately $75 million from hundreds of investors residing throughout the United States and a number of foreign countries through investment offerings which Thorn offered and sold, and caused to be offered and sold, interest in pools of money to be used to purchase and finance the fraudulent trading program.

Thorn and McKinney represented to potential investors that their money would be pooled with money from other investors to reach required $100 million blocks of investment in medium term notes, alleged debt instruments issued by banks, which were, like the "trading programs," fraudulent and fictitious. Thorn and McKinney represented to investors that they were investing their funds in different European “trading programs” outside of the United States. According to the indictment, the defendants told investors that there was little or no risk in the investment, and, in fact, led investors to believe that there was no risk because the money would remain in the bank. The defendants promised monthly rates of return ranging from 3 percent to 100 percent.

The defendants also represented to investors that the Federal Reserve was involved in the Financial Ventures programs, and that the Federal Reserve was an active participant in the distribution of profits, when, in fact, the Federal Reserve was not involved in any of these programs.

Instead of using the offering proceeds from investors to invest in medium-term notes, Thorn and McKinney instead used the offering proceeds to pay their own extravagant living expenses, including mortgage payments, luxury car leases, cash withdrawals, and leisure travel, and to conduct a massive Ponzi scheme where the defendants were paying investors purported “profits” or a return of principal, with money obtained from other investors.

Morgan, a Vice President in the retail business bank group at a Columbus, Ohio, branch of Bank One with the title of Senior Relationship Manager, had helped Thorn set up the Financial Ventures bank accounts at Bank One and sometimes would act as the contact person for the investors. The indictment alleged that Morgan, without Bank One’s permission, and Thorn, without the investors’ permission, created letters of credit and promissory notes which guaranteed payment by Bank One that were presented to several European financial institutions in attempts to obtain loans, each in excess of $40 million. In some instances, Morgan forged the name of another officer at Bank One.

The other co-defendants were sentenced as follows: Derrick N. Mckinney was sentenced to 36 months incarceration and ordered to pay $7,488,455 in restitution to victims; Craig A. Morgan received 3 years probation; John W. Kinney, III, was sentenced to 41 months custody and ordered to pay $2,368,234.13 in restitution; Rick R. Malizia received 3 years probation and was ordered to pay $160,000 in restitution; and Kimberly Hockenhull-Edwards received 3 years probation.

This case was prosecuted by Assistant United States Attorneys Christian H. Stickan and Robert J. Patton following investigation by Internal Revenue Service, Criminal Investigation Division, Cleveland, Ohio; the United States Postal Inspection Service; the Department of Homeland Security, Bureau of Immigrations and Customs Enforcement, Cleveland, Ohio; and the Federal Bureau of Investigation, with the assistance of the United States Securities and Exchange Commission in Chicago, Illinois.